

**DIRECT TESTIMONY OF**

**ROSE M. JACKSON**

**ON BEHALF OF**

**DOMINION ENERGY SOUTH CAROLINA, INC.**

**DOCKET NO. 2022-2-E**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Rose M. Jackson, and my business address is 220 Operation Way, Cayce, South Carolina 29033.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

A. I am employed by Dominion Energy Services, Inc. ("DES") as Director of Gas Supply Services. I am responsible for managing the Gas Supply Department ("Department"), which provides gas supply and capacity management services to Dominion Energy South Carolina, Inc. ("DESC" or the "Company") and its affiliate, Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina.

1 **Q. PLEASE DESCRIBE YOUR DUTIES RELATED TO NATURAL GAS**  
2 **PROCUREMENT FOR ELECTRIC GENERATION IN YOUR CURRENT**  
3 **POSITION.**

4 A. During the review period of January 1, 2021, through December 31, 2021  
5 (“Review Period”), I was responsible for managing the department that provides  
6 natural gas procurement services for the generating facilities operated by DESC.  
7 These responsibilities include procurement of natural gas supply and capacity;  
8 nominations and scheduling; gas accounting; and state and federal regulatory issues  
9 related to supply, capacity, and asset management.  
10

11 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS**  
12 **BACKGROUND.**

13 A. I graduated from the University of South Carolina in 1988 with a Bachelor  
14 of Science degree in Accounting. Following graduation, I worked for approximately  
15 three years as an accountant for a national security services firm. In 1992, I began  
16 my employment with SCANA Corporation (“SCANA”) as an accountant working  
17 directly for SCANA Energy Marketing, Inc. Over the years, I have held varying  
18 positions of increasing responsibility including Energy Services Coordinator, where  
19 I was responsible for scheduling gas for the Atlanta Gas Light System; project  
20 manager for the implementation of an automated gas management system; and  
21 Manager of Operations. In May 2002, I became Manager of Operations and Gas  
22 Accounting with SCANA Services, now DES, where I was responsible for gas

1 scheduling on interstate pipelines and gas accounting for all SCANA subsidiaries.  
2 In November 2003, I became Fuels Planning Manager where I assisted all SCANA  
3 subsidiaries with strategic planning and special projects associated with natural gas.  
4 I held this position until promoted to General Manager – Supply and Asset  
5 Management in December 2005. On January 1, 2021, I became the Director of Gas  
6 Supply Services for DES.

7  
8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

9 A. Yes, I have testified before this Commission on several occasions.  
10

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
12 **PROCEEDING?**

13 A. The purpose of my direct testimony is to provide information about the  
14 natural gas purchasing process for DESC generation and to discuss natural gas  
15 prices for the Review Period and the outlook for natural gas prices in the near term.  
16

17 **NATURAL GAS PURCHASING**

18 **Q. PLEASE DESCRIBE HOW YOUR DEPARTMENT MAKES NATURAL**  
19 **GAS PURCHASING DECISIONS.**

20 A. Natural gas purchases made by the Department are driven by the needs of the  
21 electric generation group. My Department provides DESC's Economic Resource  
22 Commitment Group ("ERC") with current market information that they use in

1 resource commitment modeling for the Company's electric generation plants. ERC  
2 requests natural gas price quotes and market information from my Department daily.  
3 ERC uses current natural gas prices as one input into its dispatch modeling to  
4 determine the most economical means of reliably meeting the electricity needs of  
5 customers.

6 Actual natural gas purchasing decisions are driven by the unit commitment  
7 decisions made by ERC. After ERC determines that natural gas is the economical  
8 choice for providing reliable power to our customers, my Department is directed to  
9 purchase natural gas supplies for delivery with a stated term and volume at the best  
10 available current market prices at that time.

11  
12 **Q. PLEASE DESCRIBE YOUR NATURAL GAS CONTRACTS.**

13 A. We have industry standard contracts with more than 60 suppliers that have  
14 proven to be creditworthy and reliable. These contracts set forth many of the terms  
15 and conditions of delivery. Price and quantity, however, are determined at the time  
16 of purchase.

17 The most common prices quoted for daily natural gas deliveries are the day-  
18 ahead gas price. The Gas Daily Average or GDA, for example, is an average of  
19 these day-ahead prices, reported on a historical basis the next business day.

20 The day-ahead natural gas market, however, closes at mid-day of the day  
21 before the natural gas is delivered. Because some unit commitment decisions may  
22 not be made until the following morning, GDA prices are not available for all supply

1 purchases for electric generation. In these situations, the natural gas we purchase  
2 for electric generation is made in the intraday market.

3 In the last few years, natural gas prices have become more stable and more  
4 competitive with coal due to increased domestic shale production. These changes  
5 in the market have increased the Company's use of natural gas to fuel its generating  
6 facilities, which in turn has resulted in it making term natural gas purchases. DESC  
7 has purchased natural gas for terms of one month up to one year.

8 In summary, natural gas purchases for electric generation as a whole are  
9 short-term in nature when compared to purchases of other fuels due to the fungible  
10 nature of natural gas and the liquidity of the natural gas market.

11  
12 **Q. WHAT TOOLS DO YOU USE TO INFORM YOUR NATURAL GAS**  
13 **PURCHASING DECISIONS?**

14 A. The most important tools used to inform our purchasing decisions are my  
15 Department's collective experience in national natural gas markets, careful  
16 observation and evaluation of movements in market-based prices, and continual  
17 surveys of our suppliers for pricing information. These tools are by far the most  
18 important and most accurate in helping to determine market-based prices for natural  
19 gas supplies being purchased on the "spot market."

20 Another tool we use to inform our purchasing decisions is the  
21 Intercontinental Exchange ("ICE"), which is a real time electronic trading board.  
22 The shortcoming of the ICE service as with other pricing services is that not all

1 trades are reflected in these services. Nevertheless, ICE is one of the most widely  
2 used sources of pricing information and provides a reliable indication of current  
3 market prices.

4 My Department also uses the New York Mercantile Exchange (“NYMEX”)  
5 pricing data as a guide to determine whether to purchase natural gas on a monthly  
6 or seasonal basis. NYMEX is a financial market which captures real-time trading  
7 data and information about the projected price of natural gas and other commodities  
8 for various times in the future. NYMEX, unlike long-term forecasts such as the  
9 Energy Information Administration Annual Energy Outlook, allows actual  
10 purchases to be made at its prices for up to 12 years in the future.

11  
12 **Q. WHAT NATURAL GAS TRANSPORTATION CAPACITY DOES DESC**  
13 **HAVE FOR THE GENERATING FACILITIES OPERATED BY DESC?**

14 A. DESC has long-term capacity contracts with the following interstate  
15 pipelines for firm transportation service: 111,050 dekatherms (“Dt”) per day on  
16 Southern Natural Gas Company; 203,402 Dt per day on Carolina Gas Transmission,  
17 LLC (“CGT”), 165,000 Dt per day on Transcontinental Gas Pipeline, LLC  
18 (“Transco”), and 61,500 Dt per day with Elba Express Company, LLC.

1 **Q. WERE THERE ANY OTHER CHANGES DURING THE REVIEW PERIOD**  
2 **TO THE NATURAL GAS TRANSPORTATION CAPACITY AVAILABLE**  
3 **FOR THE COMPANY’S GENERATING FACILITIES?**

4 A. Yes. On January 1, 2021, Transco’s Southeastern Trail Project (“SET”)  
5 entered service. To meet daily demands of its Jasper plant and the Columbia Energy  
6 Center, DESC subscribed to 125,000 Dt per day of SET capacity with a receipt point  
7 at the existing Pleasant Valley Transco-Cove Point interconnection in Fairfax  
8 County, Virginia, and a delivery point at the existing Transco Station 65 pooling  
9 point in St. Helena Parish Louisiana.

10  
11 **Q. HOW HAS THE COMPANY ATTEMPTED TO REDUCE THE COST OF**  
12 **THIS NEW SET CAPACITY?**

13 A. The Company has entered into two Asset Management Agreements  
14 (“AMAs”) with suppliers. The AMAs, which comply with Federal Energy  
15 Regulatory Commission (“FERC”) regulations, allow these suppliers to manage a  
16 portion of DESC’s SET capacity in exchange for payment of an asset management  
17 fee to DESC, which will reduce the cost of the new SET capacity while continuing  
18 to maintain firm deliverability.

1 **Q. HAS THE COMPANY SUBSCRIBED TO ANY ADDITIONAL**  
2 **INTERSTATE PIPELINE CAPACITY FOR NATURAL GAS FIRED**  
3 **GENERATION?**

4 A. Yes. As reported to the Commission in Docket Nos. 2021-2-E, 2020-2-E,  
5 and 2019-2-E, DESC has also entered into an agreement subscribing to 62,500 Dt  
6 per day of capacity for electric generation on the Mountain Valley Pipeline  
7 (“MVP”) project. This capacity will provide DESC access to the Marcellus natural  
8 gas basin which will feed into the SET capacity. The MVP project has experienced  
9 a two-and-a-half-year delay from the originally anticipated in-service date of the  
10 project because of ongoing legal challenges associated with permits to cross water  
11 bodies and wetlands. As a result of recent decisions by the United States Court of  
12 Appeals for the Fourth Circuit, DESC anticipates that the project will likely be  
13 delayed approximately one year from its last announced projected Summer 2022 in-  
14 service date.

15  
16 **Q. DOES DESC MAINTAIN SUFFICIENT NATURAL GAS**  
17 **TRANSPORTATION CAPACITY CONTRACTS FOR ITS CURRENT**  
18 **ELECTRIC GENERATING FACILITY NEEDS?**

19 A. Yes. Despite these changes in the interstate pipeline market and some of the  
20 Company’s expected capacity sources, the Company’s current capacity contracts  
21 are sufficient for its presently existing generation needs. The Company continuously  
22 reviews its generation needs on an ongoing basis to determine whether it requires



1 additional natural gas transportation capacity to serve natural gas fired generation  
2 facilities. Future contracts for additional natural gas transportation capacity will be  
3 subject to the requirements set forth in Commission Order 2018-804 and the  
4 Settlement Agreement among Dominion Energy, DESC, and Transco, dated  
5 October 24, 2018, in Docket No. 2017-370-E.

6  
7 **Q. PLEASE DESCRIBE NATURAL GAS PRICES DURING THE CURRENT**  
8 **PERIOD UNDER REVIEW.**

9 A. Prices in the NYMEX natural gas commodity market began the Review  
10 Period at \$2.58 per Dt. Colder than normal temperatures in February pushed natural  
11 gas commodity prices as high as \$3.22 per Dt before a return to normal  
12 temperatures. Prices then retreated to the year's lowest daily settle price of \$2.45  
13 per Dt in mid-March. Natural gas commodity prices began to rise over the course  
14 of the spring and through the summer. The national storage inventory showed a  
15 lagging response for the summer refill period. The lack of storage refill, an  
16 increased demand for exported LNG, along with industry analysts indicating  
17 minimal supply production increases, supported pressure for higher natural gas  
18 commodity prices. Entering the fourth quarter of 2021, natural gas prices saw their  
19 peak on the fifth day of October at \$6.31 per Dt and from there prices slowly  
20 retreated. The downturn in prices can be attributed to milder forecasted  
21 temperatures and the national storage inventory reaching previous year's levels.

1 Natural gas prices closed out the year at \$3.73 per Dt. Attached hereto as Exhibit  
2 No. \_\_ (RMJ-1) is a graph of the NYMEX daily settle prices for 2021.

3 During the Review Period, DESC purchased approximately 94,000,000 Dt  
4 of natural gas for electric generation at a total cost of approximately \$355,000,000  
5 and at an approximate average price of \$3.77 per Dt.

6 As the close of the winter period approaches, the current price forecast for  
7 the remainder of 2022 suggests natural gas prices are likely to average  
8 approximately \$5.00 per Dt. However, short-term price volatility can result from  
9 changes in either supply or demand. The fundamental factors of such changes may  
10 include, but are not limited to, weather, increases in customer demand, changes in  
11 supplies from shale production, changes in storage inventory levels, and/or  
12 constraints in pipeline capacity.

13  
14 **CONCLUSION**

15 **Q. WHAT REQUEST DOES DESC MAKE OF THE COMMISSION IN THIS**  
16 **PROCEEDING?**

17 A. During the Review Period, the Department made diligent and prudent efforts  
18 to obtain reasonable market-based prices for the reliable supply of natural gas for  
19 electric generation and to procure the necessary capacity for the delivery of that  
20 supply. Therefore, on behalf of DESC, I respectfully request that the Commission  
21 find that the Company's fuel purchasing practices were reasonable and prudent for  
22 the Review Period.

1   **Q.       DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2   **A.               Yes.**

## 2021 NYMEX Daily Settle Prices

